

Non-Executive Report of the:  <b>Audit Committee</b>  25 <sup>th</sup> July 2018	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Zena Cooke – Corporate Director Resources	<b>Classification:</b> Unrestricted
<b>Annual Risk Management Report 2017/18 and Q1 Risk Management Update</b>	

<b>Originating Officer(s)</b>	Steve Tinkler
<b>Wards affected</b>	All wards

### Executive Summary

The purpose of this report and appendices is to provide the Audit Committee with:

- a) Details of how we identify and manage risks:-
- b) Summary of the Q1 2018/19 Corporate Risk Register and update since last reported in January 2018:-
- c) Risk Management Team activity over the previous 12 months

The report enables the Audit Committee fulfil part of its functions as set out in the Committee's terms of reference item no.8 – to review the Risk Management arrangements of the authority.

### Recommendations:

The Audit Committee is recommended to:

1. Note the corporate risks and recommend changes and updates as necessary;
2. Note the contents of the Annual Risk Management Report 2017/18 and agree actions at section 9 of the report;
3. Request risk owner(s) with risks requiring further scrutiny provide a detailed update on the treatment and mitigation of the risk including impact on the corporate objectives at its October meeting.

## 1. REASONS FOR THE DECISIONS

- 1.1 Risk Management reports are brought annually and quarterly to provide the Committee with an oversight of the authority's processes to facilitate the identification and management of its significant business risks.

## 2. ALTERNATIVE OPTIONS

- 2.1 None.

## 3. DETAILS OF THE REPORT

<b>What is Risk management</b>	Risk management is an integral part of good corporate governance. There are many definitions of corporate governance but the one used by CIPFA is ".....the procedures associated with the decision making, performance and control of organisations, with providing structures to give overall direction to the organisation and to satisfy expectations of accountability to those outside it".
<b>How we manage risks</b>	All organisations face risks in everything that they do but by the proper management of its risks, organisations can benefit by reducing their significance; either by reducing the level of impact, or making the risk less likely to happen. Over the last few years, the use of risk management as a tool in the public sector has gained strength as the appreciation of how risk management can be used as a technique for delivering an efficient and effective service to all its stakeholders. This is demonstrated in guidance issued by CIPFA / SOLACE, "Delivering Good Governance in Local Government", which makes reference to the need for effective management of risks and suggest how authorities can use audit committees to support a framework for effective systems of internal control.
<b>Risk management framework</b>	The Council has developed a formal Risk Management framework and processes which are supported by the Risk Management and Audit team. This is part of the Council's corporate governance process and contributes to its compliance with Financial Regulations and Procedures as well as the Accounts and Audit Regulations 2015. It is also a key part of the Council's Annual Governance Statement which is approved by the Audit Committee in June each year. The Council recognises that it has responsibility to manage business risks and opportunities in a structured manner in order to achieve its corporate objectives and enhance the value of services it provides to the community.
<b>Ongoing risk and assurance</b>	To give members and senior officers an understanding of the key risks facing the Council and its community, and to show how these risks are being responded to;

<b>aims</b>	<p>To implement and maintain a fluid process for the everyday management of risks relevant to our objective's, outcomes, services and assets;</p> <p>To improve the Council's risk management culture and transparent ownership of risks and issues; and</p> <p>To continue to meet the requirements of our external auditor and compliance providers.</p>
<b>How are risk assessed</b>	Assessment is made in terms of how likely a risk is to occur and what the consequences would be if they did.
<b>Risk Classification</b>	<p>Red (Severe) indicates that the risk is very significant and requires immediate and comprehensive management attention;</p> <p>Amber (Significant) indicates that the consequences of a risk materialising would be significant, but not disastrous. Some immediate action (but not as time critical) is required plus the development of a comprehensive action plan;</p> <p>Yellow (Material) indicates that the consequences of the risk are of concern although treating the risk will be through contingency planning;</p> <p>Green (Low) indicates the likelihood and impact of the risk relatively unimportant.</p>
<b>How we Manage Key risks</b>	The Council's risk management process is implemented across Directorates, Business Units and Projects. On a quarterly basis each Directorate reviews and updates the risks captured on their risk registers and add any new or emerging risks.
<b>Process</b>	<p>Each risk has been reviewed (and where appropriate risk descriptions revised) by the responsible risk owner. New risks and key changes to current risks are discussed and challenged at Directorate and Corporate Leadership Team meetings. Annually each Directorate is encouraged to undertake a full risk review in line with service and financial planning processes.</p> <p>Corporate risks are included within relevant Directorate and Divisional business plans and are also reported to Audit Committee. This reporting format ensures that the Council's risk management framework remains embedded and that reporting remains "live" across the organisation. Further information on risk reporting can be found in the Council's risk management strategy.</p>

#### 4. Annual Risk Management Report 2017/18

The report sets out in some detail risk management activity over the last twelve months.

## 5. DETAILS OF REPORT

5.1 The Audit Committee requires the Head of Audit and Risk Management to provide a regular report on the effectiveness of the process deployed to identify, assess, Prioritise and mitigate the key risks which could affect the overall achievement of service objectives.

### 5.2 Corporate risk register

The current risk register contains a total of 12 risks, with five rated as red, five as amber and two as yellow. Risks Reference CSDSC0004 and PLC0013 have been added to the register in this quarter.

Risk Reference	Risk Description	Current Risk Score	RAG rating
CSD0016	Death or serious harm to a child that was or should have been in receipt of services, either from the council or a partner agency.	25	Red
CSDSC0014	Ofsted Inspection in Jan-Feb 2017 has raised significant failings in the delivery of services to vulnerable children and families in LBTH following the Single Inspection Framework. The report is due for publication on the 7th of April and provisional grading's plus a draft report has been received.	25	Red
REV0007	Impact on local income from Appeals on the new local rating effective from 1/4/17, due to all business premises having new rateable values.	20	Red
CSDSC0004	Incidents of serious violence where young people known to or in the care (LAC) of the Local Authority are harmed or perpetrate harm in a community setting.	16	Red
CSDSC0005	Loss of resources as a result of a failure to reach target Payment by Results claims, resulting in loss of capacity to deliver the Troubled Families programme.	16	Red
ASD0015	Death or serious harm to a vulnerable adult that was or should have been in receipt of services, either from the council or a partner agency.	15	Amber
PLC0013	Following the Grenfell Fire tragedy residents of tower blocks in the borough are not safe or do not feel safe from fire following reassurance, advice, interim measures and completed, in progress or scheduled remedial actions to improve fire safety.	15	Amber
DRCPCD002	Failure to have in place a lease extension for Mulberry Place (or alternative temporary office location) one year prior to the end of the current lease (June 2019).	15	Amber
ASD0017	Risk that should a major incident take place affecting council services, there may be a failure to implement an effective response. The risk is	12	Amber

	increased if there was to be more than one incident at the same time.		
CSDR0011	There is a risk that the Council may be challenged in Court for making a formal decision under the 1967 Act, to retain for educational purposes the newly constructed Christ Church Primary School's nursery building, which is built on a disused burial ground. (The basic premise of the challenge is that the school had no right to erect the building, and that it is unlawful to erect the building on a disused burial ground, and that it should be demolished).	12	Amber
LPGLS0001	No-compliance with corporate governance procedures.	8	Yellow
RSB0019	Maintaining and strengthen financial viability/balance across MTFS period to 2020.	8	Yellow

The table below is a breakdown of the number of corporate risks by directorate for quarter 1, 2018/19.

Directorate	Grand Total	8	12	15	16	20	25
		Material	Significant	Significant	Severe	Severe	Severe
HAC	2	0	1	1	0	0	0
CSD	5	0	1	0	2	0	2
PD	2	0	0	2	0	0	0
GD	1	1	0	0	0	0	0
Resources	2	1	0	0	0	1	0
Total	12	2	2	3	2	1	2

Table 1. The number of risks within each directorate by risk score.

Key: **HAC** – Health, Adults and Community directorate  
**CSD** – Children’s Services directorate  
**PD** – Place Directorate  
**GD** – Governance directorate  
**Resources** – Resources directorate

The Council’s strategic priorities detailed within the Corporate Strategy are as follows:

Creating opportunity by supporting aspiration and tackling poverty

## Creating opportunity by supporting aspiration and tackling poverty

- A dynamic local economy, with high levels of growth that is shared by residents.
- Residents in good quality, well – paid jobs.
- Children get the best start in life and young people realise their potential.
- People are healthy and independent for longer.
- Gaps in inequality have reduced and diversity is embraced.

## Creating and maintaining a vibrant and successful place

- An improved local environment
- People feel safe and places have less crime and anti-social behaviour.
- Better quality homes for all.
- Communities are engaged, resilient and cohesive.

## Working smarter together as one team with our partners and community

- An enabling and efficient council.

### **Number of Risks associated with corporate Priorities**

Creating opportunity by supporting aspiration and tackling poverty	2
Creating and maintaining a vibrant, successful Place	1
A transformed council, making best use of resources and with an outward looking culture	9
Total	12

## **6. EQUALITIES IMPLICATIONS**

- 6.1 The primary objective of Equality Impact Assessments (EIAs) is to determine the differential impact of a proposed policy, service or business activity and obtain a profile of how it affects different community groups.
- 6.2 Identifying risks and measures that might be employed to mitigate adverse impact is a crucial part of the EIA process.
- 6.3 In order to facilitate mainstreaming of the monitoring and control of identified EIA risks as best practice, departments should include the identified risks and controls measures in the Corporate Risk Register.
- 6.4 Risk owners should be aware of equality implications when delivering the control measures.

## **7. OTHER STATUTORY IMPLICATIONS**

- 7.1 An ineffective audit committee could result in inadequate governance, risk and control arrangements remaining unchallenged, resulting in increased risks of fraud, waste or error and the potential for adverse criticism from the external

auditor or other agencies. Full management of the Council's top risks (corporate risks) will allow for effective decisions to be made across the Council's business.

- 7.2 Risk management plays a key role in the civil contingencies bill. The Council has a responsibility to ensure it manages its risk effectively to reduce the risk of incidents affecting the safety of the community.
- 7.3 Environmental issues are at the forefront of decision making, this means that risk owners should only be agreeing to control measures that are environmentally friendly.

## **8. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 8.1 There are no specific financial implications arising from the recommendations within this report. General comments with regards the importance of effective risk management and the consequences of failure to monitor and manage organisational risks are contained within the body of the report.

## **9. COMMENTS OF LEGAL SERVICES**

- 9.1 The Council has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness by virtue of section 3 of the Local Government Act 1999. This is known as its Best Value Duty.
- 9.2 Under Regulation 3 of the Accounts and Audit Regulations 2015, the Council is required to ensure that it has a sound system of internal control that facilitates effective exercise of the Council's functions and includes arrangements for the management of risk. The Council is also required by Regulation 5 to maintain an effective system of internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance. One of the functions of the Audit Committee under the Council's Constitution is to review internal audit findings. The consideration by the Audit Committee of this report is consistent with the Council's obligations and is within the Committee's functions.

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- List any linked reports  
NONE

### **Appendices**

Annual Risk Management Report 2017/18  
Appendix 1 - Corporate Risk register  
Appendix 2 - Detailed Risk register.

## Appendix 3 - Corporate Risk Dashboard

### **Local Government Act, 1972 Section 100D (As amended)**

#### **List of “Background Papers” used in the preparation of this report**

List any background documents not already in the public domain including officer contact information.

- NONE

#### **Officer contact details for documents:**

- A.Sotande-Peters Ext: 4051